

Message Text

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16

ACTION TRSE-00

INFO OCT-01 EA-11 NEA-14 ISO-00 IO-14 PA-04 PRS-01 USIA-15

AID-20 CIAE-00 COME-00 EB-11 FRB-03 INR-11 NSAE-00

RSC-01 XMB-07 OPIC-12 SP-03 CIEP-03 LAB-06 SIL-01

OMB-01 NSC-07 SS-20 STR-08 CEA-02 DRC-01 H-03 L-03

/183 W

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R 200330Z AUG 74

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 6349

INFO AMEMBASSY MANILA

AMCONSUL LAHORE

AMCONSUL KARACHI

LIMITED OFFICIAL USE ISLAMABAD 7978

E.O. 11652: N/A

TAGS: EAID, EFIN, PK

SUBJECT: PROPOSED ADB LOANS FOR TARBELA HYDROPOWER
PROJECT (PAKISTAN)

REF: MANILA 9666

1. WE CONCUR IN USADB RECOMMENDATION FOR FAVORABLE NAC ACTION ON PROPOSED LOANS. RURAL ELECTRIFICATION IS A MAJOR GOP PRIORITY AND THE PRIME MINISTER HAS REPEATEDLY CITED HIS PERSONAL INTEREST THEREIN. THE PROPOSED ADDITIONAL GENERATION CAPABILITY IS ESSENTIAL TO THE SUCCESSFUL IMPLEMENTATION OF THE RURAL ELECTRIFICATION PROGRAM.

2. WAPDA (WATER AND POWER DEVELOPMENT AUTHORITY) HAS ALREADY BEGUN TO DIVEST ITSELF OF RESPONSIBILITY FOR RURAL DISTRIBUTION AND THE REORGANIZATION WHEREBY PROVINCIAL AUTHORITIES WILL ASSUME RESPONSIBILITY FOR THE DISTRIBUTION

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AND RETAILING OF ELECTRICAL ENERGY THEY WILL PURCHASE FROM

WAPDA ON A WHOLESALE SCALE IS INDEED WELL UNDERWAY.

3. WE AGREE THAT REORGANIZATION WILL ENABLE WAPDA TO PLACE ITSELF ON A SOUNDER FINANCIAL FOOTING AND ENABLE GOP TO CLEARLY SEE WHERE STRUCTURE OF COSTS AND PRICES ARE OUT OF LINE. NOT ONLY ADB BUT IBRD AND PAKISTAN CONSORTIUM GENERALLY HAVE REPEATEDLY POINTED TO PUBLIC ENTERPRISES SUCH AS WAPDA AS PLACES WHERE EFFICIENCY MUST BE IMPROVED AND PUBLIC SAVINGS GAINED.

4. AT SAME TIME WE ARE CONSCIOUS THAT EXTENSION OF DISTRIBUTION TO RURAL AREAS WHICH CURRENTLY ARE INADEQUATELY SERVED (IF AT ALL) WILL RESULT IN CONTINUED FINANCIAL LOSSES DURING THE EARLIER LOWER DEMAND YEARS OF SERVICE TO THOSE AREAS. HOWEVER THE REORGANIZATION WILL PERMIT THE GOP TO CLEARLY IDENTIFY THE SECTORS AND GROUPS RECEIVING SUCH SUBSIDIES. WITH WAPDA CONTINUING TO PROVIDE WHOLESALE POWER AND PERFORMANCE THEREBY SERVING LARGE INDUSTRIAL USERS DIRECTLY, THE SUBSIDIES TO THESE WILL BE ELIMINATED UNLESS INDIVIDUALLY JUSTIFIED.

DECONTROL AUGUST 28, 1974.

BYROADE

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